

EXECUTIVE SECRETARIAT

Routing Slip

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		ACTION	INFO	DATE	INITIAL
1	DCI		✓ wlo		
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3	EXDIR				
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9	Chm/NIC		✓ wlo		
10	GC				
11	IG				
12	Compt				
13	D/EE0				
14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
17	SA/IA				
18	AO/DCI				
19	C/IPD/CIS				
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SUSPENSE		Date			

Remarks:

Executive Secretary

7/14/82

Date

3437 (10-81)

14 July 1982

MEMORANDUM FOR: Chairman, National Intelligence Council
FROM: Director of Central Intelligence
SUBJECT: The High-Technology Arms Market

The plan for the SNIE for the High-Technology Arms Market looks good to me. I send along the attached modest contribution from State.



William J. Casey

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2. ARMS TRADE TRENDS IN THE THIRD WORLD

The Falklands crisis, the war in Lebanon and the Iran-Iraq war may intensify an already volatile and unpredictable trend in Third World arms trade. Slackened Third World demand for new major weapons is likely to be offset by purchases of more capable subsystems to upgrade existing arms and by increased trade in used major weapons.

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Wealthier Third World states, such as Saudi Arabia, Libya, Algeria or Iraq, are likely to buy more high-technology arms, particularly precision-guided munitions, supporting systems, and military transport aircraft and vehicles. Industrializing nations--Argentina, Egypt, Brazil--will also increasingly seek licenses to make their own major weapons and military electronics in an effort to counteract the effects of arms embargoes upon their suppliers during conflicts. Although their licensors will limit, or prevent for some years, their export of such products, the industrializing countries will emphasize other military exports to compensate for plant investments and production costs.

The large arms buyers, many of which are not significant weapons producers, will further diversify their purchases among the major arms suppliers to ensure against arms embargoes. Some of these countries may conclude that great numbers of modern arms do not necessarily lead to qualitative improvements in military capability, and may increase their contracts for military training, logistics, and intelligence. Both the rich and the industrializing Third World nations may increasingly sell older arms to offset the higher costs of their new systems.

Less affluent Third World states--mainly in Sub-Saharan Africa and Central America--may buy a higher percentage of used or retransferred older weapons as complex European battlefield systems supplied by the West and the Soviets become more expansive and harder to maintain. The poorer Third World nations are likely to demand new weapons systems, tailored to their needs, that are simpler and less costly.

Established but heretofore minor arms suppliers are likely to find increased markets. China and North Korea, for example, have supplied Iran and Iraq during their conflict; both China and North Korea can supply many of the needs of Soviet-equipped clients while politically demanding less from them. The smaller West European makers of limited but high-technology lines of weaponry, such as Sweden, Switzerland and Austria, are likely to find their products in greater demand.

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